

WEBSTER COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2011

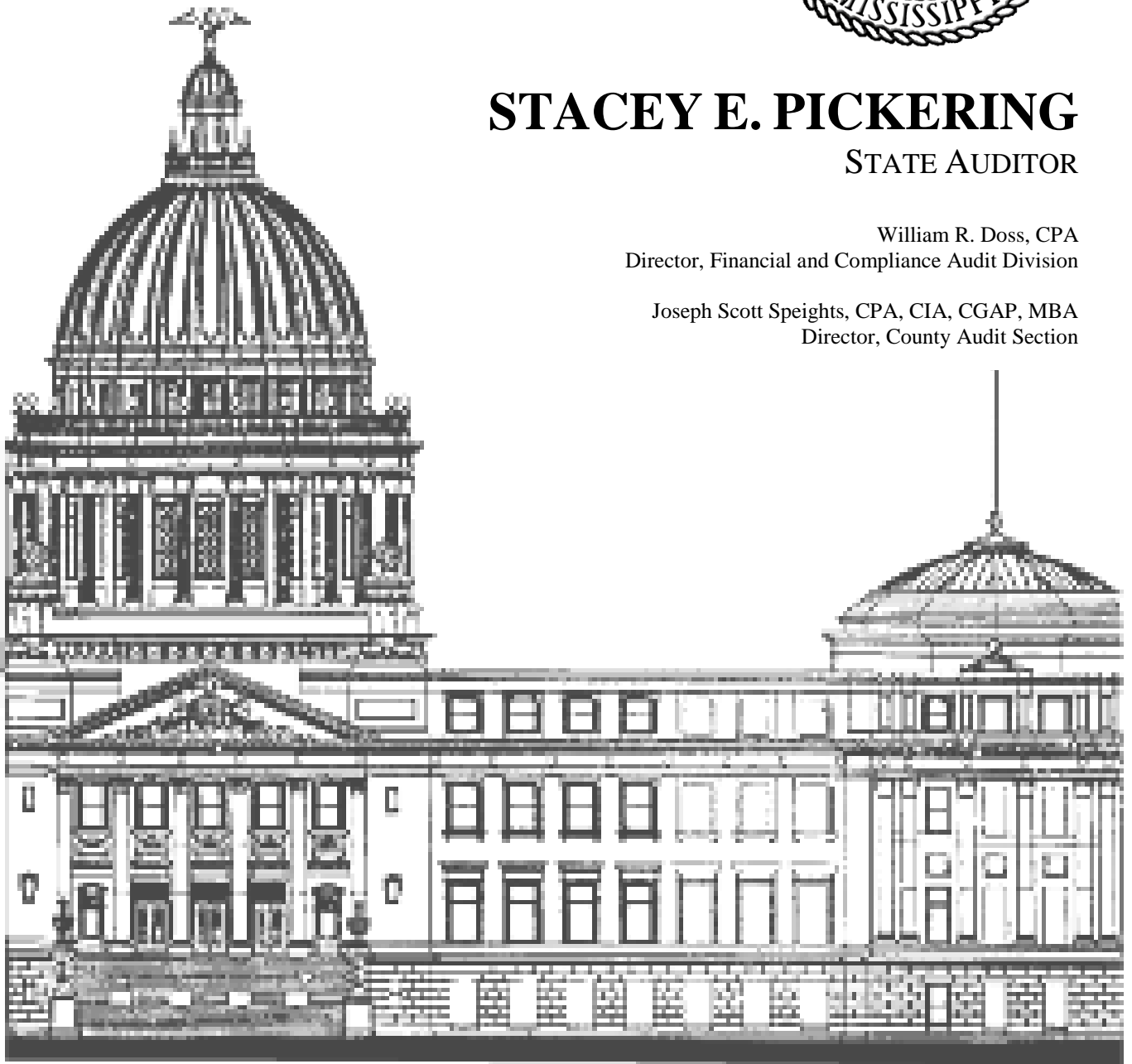


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

February 20, 2013

Members of the Board of Supervisors
Webster County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Webster County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Webster County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Webster County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

WEBSTER COUNTY
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WEBSTER COUNTY

FINANCIAL SECTION

WEBSTER COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Webster County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component unit is not reasonably determinable.

Management did not properly maintain subsidiary records documenting fines receivable and the aging of these fines receivable. The fines receivable aging schedules should only include fines due to the county. The aging schedule of the Circuit Court fines receivable included fees, state assessments and restitution in addition to the Circuit Court fines. Adequate subsidiary records were not maintained or preserved for the Justice Court fines receivable aging schedule. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$108,268, as of September 30, 2011.

In our opinion, because of the omission of the discretely presented component unit, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Webster County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Webster County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the Tornado Disaster 2011 Fund and the aggregate remaining fund information of Webster County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of Webster County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Webster County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 20, 2013

WEBSTER COUNTY

FINANCIAL STATEMENTS

WEBSTER COUNTY

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WEBSTER COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government	Governmental Activities
ASSETS		
Cash	\$	1,566,800
Property tax receivable		3,051,924
Accounts receivable (net of allowance for uncollectibles of \$447,384)		124,603
Fines receivable (net of allowance for uncollectibles of \$856,310)		108,268
Loan receivable (net of allowance for uncollectibles of \$352,706)(see note 6)		0
Intergovernmental receivables		1,366,957
Other receivables		49,036
Capital assets, net		
Land and construction in progress		1,069,746
Other capital assets, net		5,532,090
Total Assets		<u>12,869,424</u>
LIABILITIES		
Claims payable		328,466
Intergovernmental payables		76,884
Accrued interest payable		16,075
Deferred revenue		3,051,924
Short-term debt		1,029,318
Other payables		38,116
Long-term liabilities		
Due within one year:		
Capital debt		583,473
Non-capital debt		351,333
Due in more than one year:		
Capital debt		280,966
Non-capital debt		67,526
Total Liabilities		<u>5,824,081</u>
NET ASSETS		
Invested in capital assets, net of related debt		5,737,397
Restricted:		
Expendable:		
General government		17,785
Public safety		120,611
Public works		1,358,431
Culture and recreation		20,754
Unemployment compensation		9,282
Unrestricted		(218,917)
Total Net Assets	\$	<u><u>7,045,343</u></u>

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,823,168	240,323	15,837		(1,567,008)
Public safety	1,168,825	137,874	145,698	112,517	(772,736)
Public works	4,240,189	348,508	2,743,853	833,182	(314,646)
Health and welfare	99,041		9,871		(89,170)
Culture and recreation	49,667				(49,667)
Conservation of natural resources	38,376		67,787		29,411
Economic development and assistance	40,293		6,293		(34,000)
Interest on long-term debt	44,677				(44,677)
Total Governmental Activities	<u>7,504,236</u>	<u>726,705</u>	<u>2,989,339</u>	<u>945,699</u>	<u>(2,842,493)</u>
General revenues:					
Property taxes				\$	3,260,626
Road & bridge privilege taxes					120,215
Grants and contributions not restricted to specific programs					293,644
Unrestricted interest income					37,627
Miscellaneous					54,728
Total General Revenues					<u>3,766,840</u>
Changes in Net Assets					924,347
Net Assets - Beginning					<u>6,120,996</u>
Net Assets - Ending				\$	<u>7,045,343</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	Major Funds		Other	Total
	General	Tornado	Governmental	Governmental
	Fund	Disaster 2011	Funds	Funds
	Fund	Fund		
ASSETS				
Cash	\$ 365,796	502	1,200,502	1,566,800
Property tax receivable	1,817,836	94,712	1,139,376	3,051,924
Accounts receivable (net of allowance for uncollectibles of \$447,384)			124,603	124,603
Fines receivable (net of allowance for uncollectibles of \$856,310)	108,268			108,268
Loans receivable (net of allowance for uncollectibles of \$352,706)(See note 6)				
Intergovernmental receivables	108,072	1,150,127	108,758	1,366,957
Other receivables	11,094		37,901	48,995
Due from other funds	226,377		111,341	337,718
Advances to other funds			47,850	47,850
Total Assets	\$ <u>2,637,443</u>	<u>1,245,341</u>	<u>2,770,331</u>	<u>6,653,115</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 105,694	186,806	35,966	328,466
Intergovernmental payables	76,884			76,884
Due to other funds	111,341	220,000	6,336	337,677
Advances from other funds			47,850	47,850
Deferred revenue	1,926,104	94,712	1,263,979	3,284,795
Other payables	38,116			38,116
Short-term debt		1,029,318		1,029,318
Total Liabilities	<u>2,258,139</u>	<u>1,530,836</u>	<u>1,354,131</u>	<u>5,143,106</u>
Fund balances:				
Restricted for:				
General government			17,785	17,785
Public safety			120,611	120,611
Public works			1,233,828	1,233,828
Culture and recreation			20,754	20,754
Debt service			13,162	13,162
Unemployment compensation			9,282	9,282
Assigned to:				
General government			243	243
Economic development and assistance			535	535
Unassigned	379,304	(285,495)		93,809
Total Fund Balances	<u>379,304</u>	<u>(285,495)</u>	<u>1,416,200</u>	<u>1,510,009</u>
Total Liabilities and Fund Balances	\$ <u>2,637,443</u>	<u>1,245,341</u>	<u>2,770,331</u>	<u>6,653,115</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,510,009
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,038,586.	6,601,836
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Accounts receivable, net of allowance for doubtful accounts \$447,384	124,603
Fines receivable, net of allowance for doubtful accounts \$856,310	108,268
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,283,298)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(16,075)</u>
Total Net Assets - Governmental Activities	\$ <u><u>7,045,343</u></u>

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds			
	General	Tornado	Other	Total
	Fund	Disaster 2011	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 2,041,500		1,219,126	3,260,626
Road and bridge privilege taxes			120,215	120,215
Licenses, commissions and other revenue	97,796		10,641	108,437
Fines and forfeitures	131,626		632	132,258
Intergovernmental revenues	301,810	2,150,242	1,776,630	4,228,682
Charges for services	9,377		455,829	465,206
Interest income	34,919		2,708	37,627
Miscellaneous revenues	19,709		34,719	54,428
Total Revenues	<u>2,636,737</u>	<u>2,150,242</u>	<u>3,620,500</u>	<u>8,407,479</u>
EXPENDITURES				
Current:				
General government	1,624,925		167,450	1,792,375
Public safety	808,874		427,690	1,236,564
Public works		2,433,008	2,433,037	4,866,045
Health and welfare	91,565		7,476	99,041
Culture and recreation	41,571		8,096	49,667
Conservation of natural resources	38,376			38,376
Economic development and assistance	34,000		6,293	40,293
Debt service:				
Principal	21,151		366,704	387,855
Interest	1,409	2,729	42,810	46,948
Total Expenditures	<u>2,661,871</u>	<u>2,435,737</u>	<u>3,459,556</u>	<u>8,557,164</u>
Excess of Revenues over (under) Expenditures	<u>(25,134)</u>	<u>(285,495)</u>	<u>160,944</u>	<u>(149,685)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			171,237	171,237
Proceeds from sale of capital assets			2,015	2,015
Transfers in			56,033	56,033
Transfers out	(56,033)			(56,033)
Total Other Financing Sources and Uses	<u>(56,033)</u>	<u>0</u>	<u>229,285</u>	<u>173,252</u>
Net Changes in Fund Balances	<u>(81,167)</u>	<u>(285,495)</u>	<u>390,229</u>	<u>23,567</u>
Fund Balances - Beginning	<u>460,471</u>		<u>1,025,971</u>	<u>1,486,442</u>
Fund Balances - Ending	<u>\$ 379,304</u>	<u>(285,495)</u>	<u>1,416,200</u>	<u>1,510,009</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 23,567
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$967,898 exceeded depreciation of \$303,382 in the current period.	664,516
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$3,409 and the proceeds from the sale of \$2,015 in the current period.	(5,424)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	15,168
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	5,636
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$387,855 exceeded debt proceeds of \$171,237.	216,618
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of decrease in compensated absences	1,995
The amount of decrease in accrued interest payable	<u>2,271</u>
Change in Net Assets of Governmental Activities	\$ <u><u>924,347</u></u>

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 35,616
Other receivables	<u>1,881</u>
Total Assets	<u>\$ 37,497</u>
LIABILITIES	
Other liabilities	\$ 23,797
Intergovernmental payables	13,659
Due to other funds	<u>41</u>
Total Liabilities	<u>\$ 37,497</u>

The notes to the financial statements are an integral part of this statement.

WEBSTER COUNTY

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WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Webster County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Webster County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Webster County Development Council

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Tornado Disaster 2011 Fund – This fund is used to account for monies from specific revenue sources that are restricted for disaster recovery and debris removal projects.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Webster County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the bookkeeper pursuant to authorization established by the Board of Supervisors.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$1,602,416, and the bank balance was \$2,148,330. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Tornado Disaster 2011	\$ 220,000
General	Other Governmental Funds	6,336
General	Agency Funds	41
Other Governmental Funds	General	111,341
Total		\$ 337,718

The receivables represent the tax revenue collected but not settled until October, 2011 and amounts not properly settled during the fiscal year. The General Fund receivables represent interfund loans to cover negative cash balances in the payable funds and an amount to support disaster recovery costs until grant funds are received. All interfund balances are expected to be repaid within one year from the date of the financial statements.

WEBSTER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	Other Governmental Funds	\$ 47,850
Total		\$ 47,850

The amount payable to the Road Fund from the State Aid Road Fund is for a bridge project.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 56,033

Funds were transferred from the General Fund to the Unemployment Compensation Fund for minimum balance requirements and to the Solid Waste Fund to provide additional funding for expenditures. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 48,969
Disaster grants – public assistance	913,723
Mississippi Emergency Management Agency grant	347,277
Webster County Schools	42,924
DUI officer grant	5,508
Youth court grant	1,957
Privilege tax	5,930
Other	669
Total Governmental Activities	\$ 1,366,957

(6) Loans Receivable.

Loans receivable balances at September 30, 2011, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Front Line Apparel Group	09/2006	3.00%	11/2009	\$ 352,706
Allowance for doubtful loan				(352,706)
Total				\$ 0

The Front Line Apparel Group defaulted on the loan.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 131,290	17,000			148,290
Construction in progress	689,347	833,182		(601,073)	921,456
Total non-depreciable capital assets	820,637	850,182	0	(601,073)	1,069,746
<u>Depreciable capital assets:</u>					
Infrastructure	2,493,822			601,073	3,094,895
Buildings	2,101,700				2,101,700
Mobile equipment	3,000,639		54,242	23,503	2,969,900
Furniture and equipment	152,243	117,716			269,959
Leased property under capital leases	1,157,725			(23,503)	1,134,222
Total depreciable capital assets	8,906,129	117,716	54,242	601,073	9,570,676
<u>Less accumulated depreciation for:</u>					
Infrastructure	298,228	61,872			360,100
Buildings	559,606	39,640			599,246
Mobile equipment	2,357,210	51,709	48,818	21,153	2,381,254
Furniture and equipment	141,902	23,859			165,761
Leased property under capital leases	427,076	126,302		(21,153)	532,225
Total accumulated depreciation	3,784,022	303,382	48,818	0	4,038,586
Total depreciable capital assets, net	5,122,107	(185,666)	5,424	601,073	5,532,090
Governmental activities capital assets, net	\$ 5,942,744	664,516	5,424	0	6,601,836

* Adjustments were made to reclassify construction in progress completed and moved to infrastructure and lease property under capital leases that were paid off to mobile equipment.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 45,302
Public safety	44,455
Public works	213,625
Total governmental activities depreciation expense	\$ 303,382

WEBSTER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP-78(20)	\$ 1,255	11/2011
BR-0078(35)BO	359,348	09/2012

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,115,350
Furniture and equipment	18,872
Total	1,134,222
Less: Accumulated depreciation	532,225
Leased Property Under Capital Leases	601,997

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 467,783	14,742
2013	42,551	1,363
2014	18,415	244
Total	\$ 528,749	16,349

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(10) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2011:

Description of Debt	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011
Disaster line of credit	\$	1,333,760	304,442		1,029,318

During the month of July, 2011, the county established a line of credit to borrow up to \$2,000,000 with an interest rate of 2.14% and maturity date of March 15, 2012 in order to provide funding for disaster clean up expenditures until reimbursement is received from federal and state government agencies.

(11) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
1999 bridge bonds	\$ 130,000	4.70%	05-2014
1999 road equipment bonds	170,000	5.20%	11-2014
Total General Obligation Bonds	\$ 300,000		
B. Capital Leases:			
IBM E-server computer system	\$ 2,192	3.39%	01-2012
2009 Ford Crown Victoria	10,664	3.44%	05-2013
2009 Ford Crown Victoria	16,510	3.55%	06-2014
Motor grader	105,206	4.32%	12-2011
Three (3) Mack dump trucks	202,518	3.98%	04-2012
Three (3) trucks	7,194	3.98%	05-2012
Tractor/bushhog	8,107	4.64%	08-2012
2010 Ford – F-150 truck – District 3	10,998	3.44%	03-2014
Motor grader	45,531	3.55%	06-2014
Pot hole patcher	12,415	3.44%	10-2012
2010 Mack truck	70,208	3.25%	03-2012
2010 Ford – F-150 truck – District 5	9,342	3.44%	10-2013
Case motor grader	27,864	3.39%	01-2013
Total Capital Leases	\$ 528,749		
C. Other Loans:			
Front Line Apparel MDA Loan*	\$ 351,333	3.00%	11-2011
E-911 Motorola Loan	35,690	4.66%	08-2012
Total Other Loans	\$ 387,023		

*On June 14, 2010, the Mississippi Development Authority notified Webster County that based on the county's good faith attempts to secure repayment of the loans receivable associated with this loan, the Mississippi Development Authority does not expect Webster County to continue collection efforts on this loan. The Mississippi Development Authority approved the closeout of this project on January 19, 2011. However, due to state law, MDA cannot write off this loans payable from the county to MDA.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 80,000	13,910	387,023	7,172
2013	85,000	9,950		
2014	90,000	5,625		
2015	45,000	1,170		
Total	\$ 300,000	30,655	387,023	7,172

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was less than 1% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one Year
Governmental Activities:						
Compensated absences	\$ 69,521	5,522	7,517		67,526	0
General obligation bonds	375,000		75,000		300,000	80,000
Capital leases	706,057		177,308		528,749	467,783
Other loans	351,333	171,237	135,547		387,023	387,023
Total	\$ 1,501,911	176,759	395,372	0	1,283,298	934,806

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Funds, Bridge Funds, Reappraisal Fund, Emergency Preparedness (E-911) Fund and Volunteer Fire-Levy Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2011:

Fund	Deficit Amount
Tornado Disaster 2011	\$ 285,495
State Aid Road	31,737
Bridge Bond Issue	2,252

(13) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(14) Joint Venture.

The county participates in the following joint venture:

Webster County is a participant with the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha and Winston and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created for waste management purposes and is governed by 38 board members. No one primary government appoints a majority of the Authority's board members. Webster County did not appropriate any funds to the organization in the fiscal year 2011. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Webster County Board of Supervisors appoints two of the 22 members of the board of trustees. The county appropriated \$101,321 for maintenance and support of the college in fiscal year 2011.

The Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$24,000 for the district in fiscal year 2011.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Webster County Board of Supervisors appoints one of the five members of the board of directors. The county appropriated \$36,200 for maintenance and support of the system in fiscal year 2011.

The Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$14,500 for the support of the agency in fiscal year 2011.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the 21 members of the board of directors. The other 14 board members are appointed by the counties. Most of the funding for the district is derived from federal funds, and the county provides a modest amount of financial support when matching funds are required for federal grants.

WEBSTER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(16) Defined Benefit Pension Plan.

Plan Description. Webster County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$192,523, \$189,523 and \$174,183, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Webster County evaluated the activity of the county through February 20, 2013, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
12/21/2011	2.29%	\$	104,000	Capital lease	Ad valorem taxes
02/07/2012	1.95%		13,250	Capital lease	Ad valorem taxes
04/12/2012	1.55%		160,500	Capital lease	Ad valorem taxes
04/16/2012	2.18%		325,733	Short-term loan	FEMA
05/18/2012	1.40%		114,898	Capital lease	Ad valorem taxes
11/30/2012	1.83%		500,000	Negotiable notes	Ad valorem taxes

On January 17, 2013, the Webster County Courthouse was heavily damaged by fire. The county has a blanket insurance policy for \$6,193,000 that covers all county owned buildings with an additional \$1,127,000 for personal property coverage. The county is currently working with the insurance company to determine the amount of damage to the courthouse and to submit information for the insurance claim.

WEBSTER COUNTY

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WEBSTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER COUNTY

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WEBSTER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,023,330	2,081,490	2,081,490	
Licenses, commissions and other revenue	89,050	98,781	98,781	
Fines and forfeitures	153,205	140,237	140,237	
Intergovernmental revenues	405,077	434,144	434,144	
Charges for services	17,000	7,000	7,000	
Interest income	7,525	36,139	36,139	
Miscellaneous revenues	41,800	32,682	32,682	
Total Revenues	<u>2,736,987</u>	<u>2,830,473</u>	<u>2,830,473</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,795,034	1,808,474	1,808,474	
Public safety	673,725	820,397	820,397	
Health and welfare	94,564	41,483	41,483	
Culture and recreation	41,700	371	371	
Conservation of natural resources	46,014	173,754	173,754	
Economic development and assistance	34,000			
Total Expenditures	<u>2,685,037</u>	<u>2,844,479</u>	<u>2,844,479</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>51,950</u>	<u>(14,006)</u>	<u>(14,006)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	50,698	(271,033)	(271,033)	
Total Other Financing Sources and Uses	<u>50,698</u>	<u>(271,033)</u>	<u>(271,033)</u>	<u>0</u>
Net Change in Fund Balance	102,648	(285,039)	(285,039)	
Fund Balances - Beginning	<u>278,567</u>	<u>533,640</u>	<u>533,640</u>	
Fund Balances - Ending	<u>\$ 381,215</u>	<u>248,601</u>	<u>248,601</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

WEBSTER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Tornado Disaster 2011 Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	1,000,115	1,000,115	
Total Revenues	0	1,000,115	1,000,115	0
EXPENDITURES				
Current:				
Public works		2,246,203	2,246,203	
Debt service:				
Principal		305,000	305,000	
Interest		2,171	2,171	
Total Expenditures	0	2,553,374	2,553,374	0
Excess of Revenues over (under) Expenditures	0	(1,553,259)	(1,553,259)	0
OTHER FINANCING SOURCES (USES)				
Proceeds of debt		1,333,760	1,333,760	
Transfers In		220,000	220,000	
Total Other Financing Sources and Uses	0	1,553,760	1,553,760	0
Net Change in Fund Balance		501	501	
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	501	501	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

WEBSTER COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Tornado Disaster Fund
Budget (Cash Basis)	\$ (285,039)	501
Increase (Decrease)		
Net adjustments for revenue accruals	(32,755)	(403,633)
Net adjustments for expenditure accruals	236,627	117,637
GAAP Basis	<u>\$ (81,167)</u>	<u>(285,495)</u>

WEBSTER COUNTY

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WEBSTER COUNTY

SUPPLEMENTAL INFORMATION

WEBSTER COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Natural Resources Conservation Services - Emergency watershed protection program	10.923	68-4423-10-1972	\$ <u>67,788</u>
U.S. Department of Commerce - Commission National Telecommunications and Information Administration- Passed through the Mississippi Wireless Communication Public safety interoperable communications grant	11.555	07PS313	<u>136,990</u>
U.S. Department of Housing and Urban Development/ Office of Community Planning and Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1118-01-078-EM-01	1,000
Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1102-06-078-LN-01	<u>5,293</u>
Total U.S. Department of Housing and Urban Development			<u>6,293</u>
U.S. Department of Transportation/Federal Highway - Highway planning and construction	20.205	BR NBIS 074 B(78)	<u>23,100</u>
U.S. Department of Transportation/National Highway Traffic Safety Alcohol open container requirements	20.607	11-TA-178-1	<u>36,597</u>
Total U.S. Department of Transportation			<u>59,697</u>
Appalachian Regional Commission/ Passed-through the Mississippi Development Authority Appalachian research, technical assistance, and demonstration projects	23.011	N/A	<u>6,900</u>
U.S. Department of Energy/Passed-through the Mississippi Development Authority - Energy efficiency and conservation block grant program (EECBG)	81.128	GT11-0810-0096	<u>2,500</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance (Presidentially declared disasters) *	97.036	FEMA-1972-DR	1,962,264
Emergency management performance grants	97.042	11EMP	<u>6,923</u>
Total U.S. Department of Homeland Security			<u>1,969,187</u>
Total Expenditures of Federal Awards			\$ <u><u>2,249,355</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

WEBSTER COUNTY

SPECIAL REPORTS

WEBSTER COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Webster County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated February 20, 2013. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. Our report includes a qualified opinion on the General Fund because the county did not properly maintain subsidiary records documenting fines receivable and the aging of these fines receivable. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Webster County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7, 11-8, 11-9, 11-10 and 11-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 11-5.

We also noted certain instances of noncompliance which we have reported to the management of Webster County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated February 20, 2013, included within this document.

Webster County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Webster County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 20, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Webster County, Mississippi

Compliance

We have audited the compliance of Webster County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. Webster County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Webster County, Mississippi's management. Our responsibility is to express an opinion on Webster County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Webster County, Mississippi's compliance with those requirements.

In our opinion, Webster County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

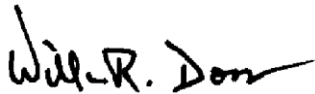
Internal Control Over Compliance

The management of Webster County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Webster County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 20, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Webster County, Mississippi

We have examined Webster County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Webster County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Webster County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Purchase Clerk.

1. Competitive bids should be obtained as required by law.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), allows purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges, to be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. The Purchase Clerk issued a purchase order for \$5,199 to a vendor for a lawn mower with no competitive bids being obtained. Failure to ensure that all purchasing procedures are complied with prior to the transaction could result in excess costs to the county.

Recommendation

The Purchase Clerk should ensure that all purchase requirements, including bid and quote requirements, are met prior to ordering a service or commodity, as required by law.

Purchase Clerk's Response

I will try to make sure all bids and quotes are received before purchase orders are issued.

Inventory Control Clerk.

2. Capital asset purchases should be recorded in capital asset records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets should include proper recording of additions, deletions and depreciation of capital assets. The capital asset subsidiary records did not include some additions of capital assets. Failure to record all capital asset purchases could result in the loss of capital assets and incorrect amounts being reported in the financial statements.

Recommendation

The Inventory Control Clerk should record all purchases of capital assets in the capital asset subsidiary records.

Inventory Control Clerk's Response


The Inventory Control Clerk will properly record additions, deletions and depreciation and reconcile the subsidiary records to the amounts reported in the financial statements.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Webster County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Webster County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Webster County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 20, 2013

WEBSTER COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than Lowest Bid</u>
06/08/11	Cold mix	\$79.50 per ton	APAC	\$79.00 per ton	Low bid would cause additional fuel cost due to distance to plant.

WEBSTER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
4/27/2011	Repair E911 tower	\$ 7,893	Intergrated Communications	Tower blown down due to storm on 4/27/2011.
4/28/2011	Wire/connector	353	Oswalt Building Material	To plug generator up at 911 building due to storm on 4/27/2011.
4/28/2011	Diesel	888	Scott Petroleum	To power generator at 911 building.

WEBSTER COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.

WEBSTER COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Webster County, Mississippi

In planning and performing our audit of the financial statements of Webster County, Mississippi for the year ended September 30, 2011, we considered Webster County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Webster County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 20, 2013, on the financial statements of Webster County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Tax levies should be sufficient to pay principal and interest on bonds.

Finding

Section 19-9-9, Miss. Code Ann. (1972), requires the Board of Supervisors to levy sufficient taxes annually to provide for the payment of principal and interest on bonds. The tax levies approved by the Board of Supervisors were not sufficient to provide for the annual payment of principal and interest on the bonds. The Bridge Bond Issue fund sustained a deficit cash balance to pay the principal and interest due. Failure to levy sufficient taxes annually could cause deficit fund balances and the misuse of county funds.

Recommendation

The Board of Supervisors should increase the levies for the bonds to provide sufficient funds to pay the annual obligations.

Board of Supervisors' Response

The Board of Supervisors will increase the levies for bonds to provide sufficient funds to pay the annual obligations.

2. Travel reimbursements should be reimbursed at the allowable rate.

Finding

Section 25-3-41, Miss. Code Ann. (1972), allows the county to reimburse county officers or employee expenses incurred while traveling on official business. Such officer or employee shall receive as expenses for each mile actually or necessarily traveled, when such travel is done by a privately owned automobile or other privately owned motor vehicle, the mileage reimbursement rate allowable to federal employees for the use of privately owned vehicle while on official travel. As reported in the prior year's audit report, the County reimbursed a county official at a mileage rate greater than the maximum reimbursement allowed. Improper travel reimbursement could result in taxable wages to the county official.

Recommendation

The county should only reimburse mileage expense at the proper rate

Board of Supervisors' Response

The county will reimburse mileage expense at the proper rate.

Chancery Clerk.

3. Warrants should be issued on funds only when sufficient funds are available.

Finding

Section 19-13-43, Miss. Code Ann. (1972) prohibits warrants from being signed or delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior fifteen years' audit reports, checks were written on county funds which did not have sufficient cash balances. We noted the Bridge Bond Issue Fund had a negative cash balance of \$6,326, and the Mississippi Burn Center Fund had a negative cash balance of \$41 at September 30, 2011. Failure to have sufficient cash in county funds prior to issuing checks, results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The Chancery Clerk should ensure that no checks are written on a fund when cash is not available in that fund, as required by law.

Chancery Clerk's Response

To the best of my ability, I will not write checks on funds with negative balances.

Sheriff.

4. Sheriff's office funds should be deposited in the county depository.

Finding

Section 27-105-371, Miss. Code Ann. (1972) requires all county officials who receive funds under the authority of their office to deposit such funds into a county depository. As reported in the two prior years' audit reports, during audit test work it was noted that the Sheriff was not using the county depository to deposit funds. Failure to deposit funds in the county depository could result in the loss of public funds.

Recommendation

The Sheriff should ensure that all funds received by this office are deposited into the county depository.

Sheriff's Response

Chose not to respond.

Chancery Clerk's Response

The issue of funds not being deposited into the county depository will be discussed with the new sheriff to make this a common practice.

5. Compensation for part-time deputies should be within limits established by law.

Finding

Section 45-6-3(d), Miss. Code Ann. (1972), requires that compensation for part-time law enforcement officers be less than \$250 per week or \$1,075 per month. As reported in the prior three years' audit reports, three part-time deputies were overpaid. For the fiscal year ending September 30, 2011, the amount of the overpayment was \$3,901. Noncompliance with Section 45-6-3(d), Miss. Code Ann. (1972), could result in part-time law enforcement officers being overpaid.

Recommendation

The Sheriff should comply with Section 45-6-3(d), Miss. Code Ann. (1972), by paying part-time enforcement officers less than \$250 per week or \$1,075 per month as required.

Sheriff's Response

Chose not to respond.

Chancery Clerk's Response

The new Sheriff will be advised to comply with Section 45-6-3(d).

Board of Supervisors, Chancery Clerk and Sheriff.

6. Employees who work more than 20 hours per week or 80 hours per month should be included in the Public Employees Retirement System.

Finding

The Mississippi Public Employees' Retirement System's Regulation 36 states, "for purpose of eligibility for participation in the Retirement System, a position means any position in which the employee personally performs services and receives compensation for not less than 20 hours per week or a total of 80 hours per month." Audit testwork revealed several employees who were classified as part-time employees and who did not participate in the PERS Retirement Plan, yet were working in excess of 80 hours per month consistently throughout the year. Failure to properly monitor hours worked by employees to ensure compliance with PERS regulations has resulted in the omission of the employee and employer share of retirement being submitted to PERS.

Recommendation

Management of the county should ensure that all employees who work in excess of 80 hour per month on a consistent basis participate in PERS and that contributions be submitted to PERS on their behalf.

Board of Supervisors' Response

No employee will work over 80 hours in any pay period and not be reported to PERS in the future.

Sheriff's Response

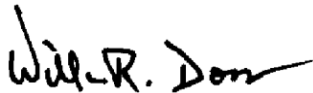
Chose not to respond.

Chancery Clerk's Response

The Chancery Clerk will ensure that all employees that work in excess of 80 hours per month are reported and contributions are submitted to PERS.

Webster County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss". The signature is stylized with a large initial 'W' and a long, sweeping underline.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 20, 2013

WEBSTER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEBSTER COUNTY

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WEBSTER COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Aggregate discretely presented component unit	Adverse
General Fund	Qualified
Tornado Disaster 2011 Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None reported.
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified? None reported.
5. Type of auditor's report issued on compliance for major federal program: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133?) No
7. Federal program identified as major program:

CFDA # 97.036
Disaster grants – public assistance (Presidentially declared disasters),
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

WEBSTER COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

11-1. Discretely presented component unit should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data of the county's component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that included the financial data for its component unit. As reported in the prior two year's audit reports, the financial statements do not include the financial data for the county's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

The Board of Supervisors' should provide the audited financial data for its discretely presented component unit for inclusion in the county's financial statements.

Board of Supervisors' Response

Component unit discussed above was dissolved March, 2012.

Material Weakness

11-2. Controls over revenue and expenditure classification should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to the balances and transactions, proper accrual of revenues and expenditures, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes of the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. An Intergovernmental Receivable in the amount of \$688,628 was duplicated.
- b. An Intergovernmental Receivable in the amount of \$105,099 was recorded in the Other Governmental Funds and should have been in the major fund Tornado Disaster 2011 fund.
- c. Proceeds from a lease purchase in the amount of \$171,237, were not recorded and the capital asset purchased was not recorded.
- d. A short-term debt in the amount of \$1,333,760 was recorded as Proceeds from long-term debt and should have been recorded as a current liability. Payments on the short-term debt were improperly classified as principal payments.
- e. State Aid payments made directly to an engineer in the amount of \$53,626 were omitted from construction in progress.
- f. Grants to other entities in the amount of \$128,800 were erroneously coded as conservation of natural resources expenditures.
- g. An interfund loan in the amount of \$47,850 was erroneously eliminated.
- h. Insurance proceeds for asset repairs of \$32,597 were erroneously classified as compensation for the loss of assets and should have been miscellaneous revenue.

WEBSTER COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

- i. A reimbursement for the 2011 DUI grant in the amount of \$5,508 was not accrued.
- j. Operating grants and contributions – public safety revenue in the amount of \$37,314 was posted to the wrong revenue accounts.
- k. Capital grants and contributions – public safety revenue in the amount of \$112,517 was posted to the wrong revenue accounts.
- l. Amounts reported for several net asset classifications on the Statement of Net Assets were incorrect.
- m. Amounts reported for several fund balance classifications on the Balance Sheet-Governmental Funds were incorrect.
- n. Various other revenues and expenditures were misclassified.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. Failure to accurately record accruals, accurately classify account balances and transactions and record all transactions could result in inaccurate financial statements.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles to ensure that assets, liabilities, net assets, fund balances, revenues and expenditures are properly classified and reported at the correct amounts.

Board of Supervisors' Response

The Board of Supervisors' will implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles.

Chancery Clerk.

Material Weakness

- 11-3. Controls over recording of revenues and expenditures should be strengthened.

Finding

An effective system of internal control should include procedures to ensure all revenues and expenditures are properly recorded in the county's records. During our review of the county's financial records we noted the following:

- a. The amount of \$1,000 of federal revenue and expenditures was not recorded in the county's records.
- b. The amount of \$5,293 of federal revenue and expenditures was netted in the county's records.

The failure to properly record federal revenue and expenditures resulted in these federal expenditures not being included in the Schedule of Expenditures of Federal Awards.

Recommendation

All revenues and expenditures should be properly recorded in the county's financial records.

Chancery Clerk's Response

Our office will ensure that all revenues and expenditures are properly recorded in the county's financial records.

WEBSTER COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Tax Assessor-Collector.

Material Weakness

- 11-4. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately separated for effective internal control. The Tax Assessor-Collector prepares deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should implement a system for review of the accounting records by another person.

Tax Assessor-Collector's Response

We have a small county and not enough funds to hire adequate numbers of employees to designate every job.

Material Weakness

Material Noncompliance

- 11-5. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

Finding

Section 27-33-75, Mississippi Code Ann.(1972), specifies that one-half (1/2) of the exemption on ad valorem taxes allowed to qualified homeowners shall be from taxes levied for school district purposes and one-half (1/2) shall be from taxes levied for county general fund purposes. The Tax Assessor-Collector allowed this exemption to qualified homeowners when collecting ad valorem taxes as specified by law. However, when the Tax Assessor-Collector settled these ad valorem taxes, she allowed the exemption on all ad valorem taxes settled which caused the school district and the county general fund to receive excess tax revenue and a shortage in the settlement to the other tax levies. This error resulted from incorrect parameters being set up in the tax settlement system of the county at the beginning of the fiscal year. The Tax Assessor-Collector's system of internal controls was not sufficient to prevent or detect this problem in a timely manner. Failure to input the proper information in the tax settlement system at the beginning of the fiscal year resulted in the Tax Assessor-Collector over settling \$42,924 to the Webster County School District. This error also caused the Tax Assessor-Collector to over settle \$47,636 to the county general fund and under settle \$90,560 to the other county tax levies. An adjustment was proposed by the auditor and made by the county to record a receivable from the school district as well as interfund loans and payables to correct the settlement errors.

Recommendation

The Tax Assessor-Collector should establish adequate controls over the tax collection and settlement system to ensure that the proper information is entered into the system each year in order to correctly collect and settle ad valorem taxes. She should also seek a refund from the Webster County School District for \$42,924 or withhold this amount from future settlements of the school district's taxes.

WEBSTER COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Tax Assessor-Collector's Response

I have corrected the levy error and have collected the overpayment from the Schools. To ensure that this doesn't happen in the future, I have requested help entering the levies from the computer company that services Webster County. I will do my very best to not let this happen again. I will add that this did happen during our 2010 update, one of the busiest times in my office. I know that is no excuse but I will try my best to not let this ever happen again.

Auditor's Note

The Tax Assessor-Collector withheld this overpayment from the school district's tax settlement in August 2012.

Circuit Clerk.

Material Weakness

- 11-6. Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in prior two years' audit reports, cash collection and disbursement functions in the Circuit Clerk's office are not adequately separated for effective internal control. One deputy circuit clerk posts the cash journal, calculates the monthly settlements and disburses the funds and reconciles the bank statements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

Small staff. Hopefully to computerize civil/criminal accounts. Will give this matter my full attention as soon as possible.

Material Weakness

- 11-7. Controls over fines receivable aging reports in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control over the accounting of fines receivable should include maintaining an accurate schedule of fines due to the county. The Circuit Clerk's aging schedule of fines receivable should only include Circuit Court fines due to the county. As reported in the prior two years' audit reports, the aging schedule of Circuit Clerk's fines receivable included fees, state assessments and restitution along with Circuit Court fines. The inclusion of these fees and assessments in the fines receivable aging schedule could materially misstate the fines receivables amount that is reported in the county's financial statements. Therefore, the Independent Auditor's Report is qualified on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable, net.

Recommendation

The Circuit Clerk should ensure that only fines are reflected in the account balances shown on the aging schedule of fines receivable.

WEBSTER COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Circuit Clerk's Response

We will correct as soon as possible.

Justice Court Clerk.

Material Weakness

- 11-8. Controls over accounting for cash collections in Justice Court should be strengthened.

Finding

An effective system of internal control over cash collections in the Justice Court Clerk's office should include the proper recording of all collections and settlements in the cash journal and the reconciliation of the cash balances in the cash journals to the bank account each month. Bank reconciliations should include documentation to support any reconciling items. As reported in the prior year's audit report, we noted the following deficiencies per the September 30, 2011 Justice Court records:

- a. The bond bank account was not reconciled to the cash balance reported in the bond cash journal. The September 30, 2011 Justice Court bond bank reconciliation indicated an unexplained difference of \$9,286 in the Justice Court bond bank account as compared to the cash balance reported in the cash journal as of that date.
- b. Adjustments to the Justice Court clearing account bank reconciliations were not adequately documented or supported by documentation.

Furthermore, a Justice Court cash count conducted by the auditor on November 13, 2012, revealed:

- a. A cash shortage in the cash bond account of \$1,357.
- b. A cash shortage in the clearing account of \$1,522.

Failure to properly reconcile cash balances per cash journal to bank account and to adequately document reconciling items could result in a loss of public funds.

Recommendation

The Justice Court Clerk should ensure that cash reported in the bond cash journal is reconciled to the bank account. The Justice Court Clerk should implement a system for review of the accounting records by another person. The Justice Court Clerk should also ensure that documentation is maintained to support reconciling items. The Justice Court Clerk should either provide documentation to resolve the cash shortages noted in the November 13, 2012 cash count or pay the amount of these shortages to the county.

Justice Court Clerk's Response

We will ask the board to hire another person to come in and review all bank reconciliations.

WEBSTER COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Material Weakness

- 11-9. Controls over cash collections and disbursements in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior two years' audit reports, cash collection and disbursement functions in the Justice Court office are not adequately separated for effective internal control. Both Justice Court Clerks are involved in preparing deposits, calculating the monthly settlements, reconciling the bank statements and disbursing funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk's office should implement a system for review of the accounting records by another person.

Justice Court Clerk's Response

We would like to have another person review the accounting records.

Material Weakness

- 11-10. Controls over fines receivable aging reports in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control over fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance. Management did not preserve the subsidiary records documenting the fines receivable of the Justice Court at the fiscal year-end. Failure to preserve adequate subsidiary records could result in the misstatement of fines receivable in the financial statements. Therefore, the Independent Auditor's Report is qualified on the General Fund because we were not able to satisfy ourselves as to the fair presentation of Justice Court fines receivable, net.

Recommendation

The Justice Court Clerk should preserve a complete copy of the aged fines receivable report at the fiscal year-end.

Justice Court Clerk's Response

I will ensure that the report will be run on the proper day which is Sept. 30, 2012.

WEBSTER COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Inventory Control Clerk

Material Weakness

11-11. Controls over recording additions to capital assets should be strengthened.

Finding

An effective system of internal controls over capital assets should include proper recording of additions, deletions, and depreciation of capital assets. The subsidiary records did not include some additions for capital asset purchases. Failure to record all capital asset transactions could result in the loss of capital assets and incorrect amounts being reported in the financial statements.

Recommendation

The Inventory Control Clerk should properly record additions, deletions, and depreciation and reconcile the subsidiary records to the amounts reported in the financial statements.

Inventory Control Clerk's Response

The Inventory Control Clerk will properly record additions, deletions and depreciation and reconcile the subsidiary records to the amounts reported in the financial statements.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.